

**NORTH EMMET
EMERGENCY SERVICES AUTHORITY
EMMET COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
March 31, 2007

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O.Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name North Emmet Emergency Services Authority	County Emmet
Fiscal Year End March 31, 2007	Opinion Date September 28, 2007	Date Audit Report Submitted to State September 28, 2007	

We affirm that:

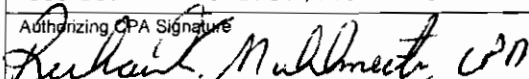
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Richard E. Mahlmeister, CPA, PC		Telephone Number 231-436-5223	
Street Address 580 South Nicolet Street, P.O. Box 996		City Mackinaw City	State MI
		Zip 49701	
Authorizing CPA Signature 		Printed Name Richard E. Mahlmeister, CPA	License Number 17351

NORTH EMMET EMERGENCY SERVICES AUTHORITY

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Member:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

September 28, 2007

Members of the Board
North Emmet Emergency Services Authority
Emmet County, Michigan

I have audited the accompanying financial statements of the governmental activities and the major fund of the *North Emmet Emergency Services Authority, Emmet County, Michigan*, as of and for the year ended March 31, 2007, which collectively comprise *North Emmet Emergency Services Authority's* basic financial statements as listed in the table of contents. These financial statements are the responsibility of *North Emmet Emergency Services Authority's* management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the *North Emmet Emergency Services Authority, Emmet County, Michigan*, as of March 31, 2007, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 5 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Richard E. Mahlmeister, C.P.A.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the North Emmet Emergency Services Authority (The Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended March 31, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2007 totaled \$349,902 for governmental activities. Of the total, \$45,615 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$208,883; all from general revenues. Overall expenses for the Authority's governmental activities were \$179,808.

No capital assets were acquired during the fiscal year and the Authority does not have any long-term debt. Capital asset and debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year March 31, 2007.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Authority, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

The activities of the Authority are reported as governmental activities, which include the operations recorded in the General Fund, our only fund.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

North Emmet Emergency Services Authority Net Assets March 31,

	GOVERNMENTAL ACTIVITIES	
Assets:	2007	2006
Current assets	\$304,287	\$267,981
Capital assets (net)	45,615	52,893
Total assets	<u>\$349,902</u>	<u>\$320,874</u>
Net assets:		
Invested in capital assets	\$45,615	\$52,893
Unrestricted	<u>304,287</u>	<u>267,981</u>
Total net assets	<u>\$349,902</u>	<u>\$320,874</u>

The most significant portion of the Authority's net assets is cash and investments. The Authority has \$304,287 in unrestricted net assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

(Continued)

NORTH EMMET EMERGENCY SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the results of the changes in net assets of the Authority:

North Emmet Emergency Services Authority		
Change in Net Assets		
March 31,		
GOVERNMENTAL		
ACTIVITIES		
	2007	2006
REVENUES:		
General revenues:		
Property taxes	\$200,740	\$190,473
Interest income	8,093	3,151
Total Revenues	<u>208,833</u>	<u>193,624</u>
EXPENSES:		
Contracted service	161,150	125,992
Other operating costs	11,380	14,294
Depreciation	<u>7,278</u>	<u>7,278</u>
Total Expenses	<u>179,808</u>	<u>147,564</u>
NET ASSETS:		
Increase in net assets	29,025	46,060
Beginning Net Assets	<u>320,877</u>	<u>274,817</u>
Ending Net Assets	<u>\$349,902</u>	<u>\$320,877</u>

The Authority is able to report positive balances in net assets. Net assets increased by \$29,025.

Revenue increases, when compared to last fiscal year totaling \$15,209, can be attributed to rising interest rates and increased tax revenue due to rising taxable property values.

Offsetting some of the increases in revenue, the Authority's cost for providing contracted fire service increased \$35,158 during the fiscal year, due to increases in vehicle, equipment and building maintenance, as well as increased insurance, compensation, and travel allowance expenses. When combined with decreased expenses in other operating costs, overall expenses increased by \$32,244 over last year.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds, not the Authority as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Authority Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS (CONTINUED)

The Authority has the following type of fund:

Governmental Fund

All of the Authority's activities are included in the governmental fund category. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Authority's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Authority maintains one individual governmental fund; General Fund, which is considered a major fund. The Authority funds are financed primarily property tax revenue.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

Governmental Activities

The General Fund had an increase in fund balance, primarily due to increases in taxable value and interest rates. Offsetting some of the increases in revenue, the Authority's cost for providing contracted fire service increased. The Authority continues to provide the same fire protection services to our constituents of Cross Village, Friendship and Readmond Townships. The General Fund increased its fund balance by \$36,303, bringing the fund balance to \$304,287.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2007, the Authority had \$131,000 in capital assets, which are our emergency vehicles. No new capital assets were acquired during the year.

Long -Term Debt

No new debt was incurred during the year, nor is there any other long-term debt.

BUDGETARY HIGHLIGHTS

Overall there are no significant differences between the original and actual budget.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

In the near-term, the Authority expects financial aspects of governing to be generally the same as they were in the year ended March 31, 2007.

We will continue to fund fire-fighting and emergency services at a most reasonable cost, while maintaining a healthy and appropriate fund balance.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Chairman at 231.357.7339.

A handwritten signature in black ink, appearing to read "Dale S. Scott". The signature is written in a cursive, flowing style.

Dale S. Scott
Chairman

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

NORTH EMMET EMERGENCY SERVICES AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2007

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash and cash equivalents	\$9,657
Investments	275,327
Property taxes receivable	19,303
Capital assets, net of depreciation	<u>45,615</u>
TOTAL ASSETS	<u>\$349,902</u>
 <u>NET ASSETS</u>	
Invested in capital assets	\$45,615
Unrestricted	<u>304,287</u>
TOTAL NET ASSETS	<u>\$349,902</u>

The accompanying notes are an integral part of these financial statements.

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>GOVERNMENTAL ACTIVITIES</u>
EXPENSES:	
Public safety:	
Contracted service	\$161,150
Other operating costs	11,380
Depreciation	<u>7,278</u>
TOTAL PROGRAM EXPENSES	<u>179,808</u>
GENERAL REVENUES:	
Property taxes	200,740
Interest	<u>8,093</u>
TOTAL GENERAL REVENUES	<u>208,833</u>
INCREASE IN NET ASSETS	29,025
NET ASSETS, BEGINNING OF YEAR	<u>320,877</u>
NET ASSETS, END OF YEAR	<u><u>\$349,902</u></u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUND
MARCH 31, 2007**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$9,657
Investments	275,327
Property taxes receivable	<u>19,303</u>

<u>TOTAL ASSETS</u>	<u>\$304,287</u>
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FUND EQUITY

Fund balance:

Unreserved:

Designated for capital outlay	\$84,777
Designated for depreciation	94,281
Undesignated	<u>125,229</u>

<u>TOTAL FUND EQUITY</u>	<u>\$304,287</u>
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The accompanying notes are an integral part of these financial statements.

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUND
MARCH 31, 2007**

Reconciliation of fund balance on the balance sheet for the governmental activity
to the statement of net assets

FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$304,287
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the fund.

Add: capital assets	131,000
Subtract: accumulated depreciation	(85,385)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$349,902
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The accompanying notes are an integral part of these financial statements.

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

REVENUES

Property Tax:

Cross Village Township	\$46,315
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Friendship Township	88,442
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Readmond Township	65,983
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Interest income	8,093
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TOTAL REVENUES	<u>208,833</u>
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EXPENDITURES

Current:

Public safety:

Contracted services	161,150
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Legal expense	498
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Board expense	1,800
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Office expense	207
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Insurance	4,694
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Equipment maintenance	4,097
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Other	84
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TOTAL EXPENDITURES	<u>172,530</u>
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REVENUES OVER EXPENDITURES	36,303
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FUND BALANCE, BEGINNING OF YEAR	<u>267,984</u>
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FUND BALANCE, END OF YEAR	<u><u>\$304,287</u></u>
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The accompanying notes are an integral part of these financial statements.

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

Reconciliation of statement of revenues, expenditures and changes in fund balance of
the governmental fund to the statement of activities

CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$36,303

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, those costs
are allocated over their useful lives as annual depreciation expense in the statement
of activities.

Add: capital outlay capitalized during the current year

Subtract: depreciation expense (7,278)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$29,025

The accompanying notes are an integral part of these financial statements.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the North Emmet Emergency Services Authority (The Authority), Emmet County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity include those of the Authority and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Authority has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on The Authority as a whole. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as general revenue.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

Fund financial statements are provided for The Authority's government fund.

The Authority reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of The Authority. It is used to account for all financial resources.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at cost and consist of bank money market funds, which invest, solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies. These investments comply with The Authority's adopted Investment Policy.

RECEIVABLES

Receivables are reported at gross value or net of a valuation allowance, if applicable

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets include emergency vehicles. Assets with an initial individual cost of \$2,000 and an estimated useful life in excess of one year generally defines capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Emergency vehicles	18 years
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NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Authority has no long-term obligations as of March 31, 2007.

FUND EQUITY

Reserved fund balances for governmental funds indicate that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which The Authority has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental fund. All annual appropriations lapse at fiscal year end. The Authority follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, a proposed operating budget for the fiscal year commencing on April 1 is prepared and made available for public inspection.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Authority Board.

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended March 31, 2007, reflected in the accompanying financial statements include property taxes levied December 31, 2006. These taxes are due by February 15, 2007, and are added to the County tax rolls after February 28, 2007. The Authority will receive 100% payment for the delinquent tax by June, 2007.

The taxable value of The Authority totaled \$209,705,567, on which ad valorem taxes consisted of .9578 mills for The Authority's operating purposes, raising \$200,740 for operating purposes.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH, CASH EQUIVALENTS AND INVESTMENTS

The caption on the statements of net assets relating to cash and cash equivalents and investments represent deposits in varying amounts as follows:

Cash and cash equivalents	\$ 9,657
Investments	275,327
	<hr/>
	\$284,984
	<hr/>

Custodial Credit Risk – Deposits

At year-end the carrying amounts of cash and cash equivalents were classified as to risk as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 9,657	\$ 10,155
Uninsured – uncollateralized	275,327	275,327
	<hr/>	<hr/>
	\$284,984	\$285,482
	<hr/>	<hr/>

For the year ended March 31, 2007, investments consist of bank money market funds which invest solely in short-term fixed income securities of the U.S. Treasury and U.S. Agencies and are not insured by the Federal Deposit Insurance Corporation (FDIC).

Investments are stated at market value. Investments held at a financial institution can be categorized according to three levels of risk. The GASB Statement No. 3 risk disclosures are as follows:

1. Insured or Registered, or Securities held by The Authority or The Authority's agent in the Authority's name.
2. Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the Authority's name.
3. Uninsured and Unregistered, with Securities held by the Counterparty or the Counterparty's Trust Department or Agent, but not in The Authority's name.

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Authority may experience significant fluctuations in deposit balances through the year.

NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Investing is performed in accordance with investment policies complying with state statutes. The Township's deposits and investments are in accordance with statutory authority.

NOTE 5: CAPITAL ASSETS

Capital asset activity of the governmental activities for the current year is as follows:

	Balance			Balance
	April 1, 2006	Additions	Deletions	March 31, 2007
<u>Being depreciated:</u>				
Vehicles	\$ 131,000	\$ -	\$ -	\$ 131,000
Less accumulated depreciation	<u>(78,107)</u>	<u>(7,278)</u>	<u>-</u>	<u>(85,385)</u>
Total	<u>\$52,893</u>	<u>(\$7,278)</u>	<u>\$ -</u>	<u>\$45,615</u>

Depreciation was charged to the functions as follows:

Public safety	<u>\$7,278</u>
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NORTH EMMET EMERGENCY SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 6: RESERVES AND DESIGNATIONS

At March 31, 2007, The Authority had the following designations of fund balance:

Capital Outlay - \$84,777 designated for future purchases of capital assets.

Depreciation - \$94,281 designated for the replacement of existing capital assets.

NOTE 7: RISK MANAGEMENT

The Authority participates in the Michigan Township Participating Plan for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138; Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of The Authority. The Authority pays an annual premium to the Michigan Participating Plan for its general insurance coverage and has no additional liability beyond the premiums made to this plan.

The plan has a maximum liability for general liability of \$3,000,000, wrongful acts of \$2,000,000, automobile of \$1,000,000, crime of \$10,000, inland marine liability of \$25,000 and bonding for public official's errors and omissions.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH EMMET EMERGENCY SERVICES AUTHORITY
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES				
Property Tax:				
Cross Village Township	\$47,381	\$47,381	\$46,315	(\$1,066)
Friendship Township	90,591	90,591	88,442	(2,149)
Readmond Township	67,519	67,519	65,983	(1,536)
Interest income	800	800	8,093	7,293
Other	2	2	-	(2)
TOTAL REVENUES	206,293	206,293	208,833	2,540
EXPENDITURES				
Current:				
Public safety:				
Contracted services	161,150	161,150	161,150	-
Legal expenses	1,000	1,000	498	502
Board expense	2,200	2,200	1,800	400
Transportation	100	100	-	100
Office expense	250	250	207	43
Insurance	4,800	4,800	4,694	106
Equipment maintenance	3,000	4,200	4,097	103
Contingencies and other	2,000	800	84	716
TOTAL EXPENDITURES	174,500	174,500	172,530	1,970
REVENUES OVER EXPENDITURES	31,793	31,793	36,303	4,510
FUND BALANCE, BEGINNING OF YEAR	267,984	267,984	267,984	-
FUND BALANCE, END OF YEAR	\$299,777	\$299,777	\$304,287	\$4,510

September 28, 2007

Members of the Board
North Emmet Emergency Services Authority
Emmet County, Michigan

In planning and performing my audit of the financial statements of *North Emmet Emergency Services Authority* as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered *North Emmet Emergency Services Authority's* internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *North Emmet Emergency Services Authority's* internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of *North Emmet Emergency Services Authority's* internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control that I consider a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Of the following significant deficiencies, Financial Statement Presentation is considered a material weakness.

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of *North Emmet Emergency Services Authority*, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

Financial Statement Preparation

The Authority does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

This communication is intended solely for the information and use of management, the Members of the Board of *North Emmet Emergency Services Authority*, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve *North Emmet Emergency Services Authority*. Best wishes in the next year.

Sincerely,



Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.